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C O N F I D E N T I A L SECTION 01 OF 02 MINSK 000656

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [BO](#)

SUBJECT: PA AIDE: IT SECTOR SUCCESSES NOT TRANSFERABLE

REF: A. 06 MINSK 461

[1](#)B. MINSK 650

[1](#)C. MINSK 642

Classified By: Ambassador Karen Stewart for reason 1.4 (d).

Summary

[1](#)1. (C) Former Belarusian Ambassador to the United States turned IT promoter Valeriy Tsepkalo provided Ambassador an overview of his High Tech Park. Tsepkalo discounted the possibility of Belarus recreating similar pro-business conditions in other sectors of the economy in the near future. He also suggested that retaliation against visible American companies was plausible in the event of toughened U.S. sanctions against Belarus. The former Ambassador laid all the blame for unlicensed software use in Belarus at Microsoft's doorstep. Tsepkalo's dynamism and reformist tendencies explain his desire to devote himself to IT rather than climbing up the GOB career ladder the old way. End summary.

High Tech Park Slowly Becoming Belarus' Silicon Valley

[1](#)2. (C) In a July 25 meeting, Presidential Administration Aide and Administrator of the GOB-funded High Tech Park Valeriy Tsepkalo told Ambassador he was proud that the Russian search

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engine Yandex listed his organization first when someone entered the Russian translation for Silicon Valley. Tsepkalo boasted that entry-level employees of High Tech Park received twice the average starting salary of any other sector. Tsepkalo said clients of High Tech Park residents included

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Colgate-Palmolive, Reuters and the London Stock Exchange.

High Tech Park's Market Mechanisms Will Not Spread Soon

[1](#)3. (C) In response to Ambassador's question, Tsepkalo discounted Belarus' possibilities for using the regulatory framework of the High Tech Park (ref A) to create equally attractive climates for other business sectors. Other high tech sectors such as nanotechnology would require large capital investments. Additionally, Tsepkalo said the willingness of the government to pursue broad scale reforms, such as scrapping the Golden Share rule, was limited. Tsepkalo implied he himself would have to get seriously

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involved in pushing forward other reforms, and he claimed he would be too busy with the High Tech Park for the next few years.

¶4. (C) In the longer term, Tsepkalo expressed hope the success of the High Tech Park would help persuade Belarusian leaders to move from industrial-age thinking into the twenty-first century. Mentioning a recent visit to Moscow to meet investors, he speculated some of the same people who saw opportunity in Russia after the collapse of the ruble in 1998 were keen to seek out opportunities in Belarus. Tsepkalo was exploring whether an unused section of Belarusian law on limited partnerships would allow for the creation of venture funds in the country.

#### Sanctions Would Hit U.S. Firms without Belarusian Roots

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¶5. (C) Tsepkalo explained that despite maintaining his title of Presidential Administration Aide he had no time to advise on wider economic matters. Nonetheless, he confidently predicted how the GOB might implement threats against U.S. businesses in the event of expanded USG sanctions against Belarus (refs B and C). U.S.-registered firms with a strong Belarus presence, such as High Tech Park resident EPAM, would not be targets. Instead the GOB would go after a big corporation "such as Coca-Cola."

#### IPR: Microsoft Unwilling to Negotiate

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¶6. (C) Tsepkalo told Ambassador SAP, Cisco and Oracle all received payments from their major customers in Belarus. He reported having conversations with Microsoft representatives several times, but he felt the company was not serious about negotiating. Tsepkalo said the GOB wanted a discount for educational institutions and simply to know the rules of the game, i.e. what prices Microsoft wished to charge. Individual companies such as EPAM paid for their Microsoft

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software, but the terms were negotiated directly and not under a formula that other companies could use to determine how much they should pay. If an agreement was reached on the state sector, Tsepkalo was certain the GOB would step up enforcement.

#### Comment: Carving Out a Niche While Leaving the Forest Alone

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¶7. (C) Tsepkalo and his High Tech Park still have their doubters. Nonetheless, the IT sector, and the High Tech Park in particular, are growing more quickly than the economy as a whole and doing it with much fewer subsidies than the manufacturing industry. Tsepkalo is correct that many within the GOB focus on industry. His ability to carve out a niche is a testament to his ingenuity and his contacts. Tsepkalo's reluctance to engage in dispensing economic advice within the Presidential Administration shows that even this optimist will not stake his reputation on reforming state-dominated sectors.

Stewart